

Mecklenburg County, North Carolina

Economic Outlook

Presented To

Mecklenburg Board of County Commissioners
January 26th, 2018

Forecasting Evaluations and Implementation

- 2017 marked the beginning of using econometric and statistical techniques to develop better forecast for the year.
- Overall the projections for sales tax figures produced last year fell in line with the actuals

2017 Budget	2017 Actual	Percentage Difference
172,117,250	171,732,068	-0.22%

- Established departmental escalation rates for the capital improvement plan
- Continue to develop new tools to better both revenue and expenditure forecasts

Economic Summary and Notable Events

Tax Bill



Unemployment trending lower



Consumer & Business Optimism



Strong Consumer Spending



Increased GDP Growth



Growing National Debt



Slow Wage Growth



Interest Rates Increasing

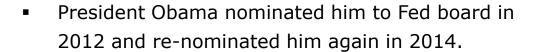


New Leadership at Federal Reserve



New Leadership at Federal Reserve

- Jerome Powell will take over as chairman of Federal Reserve when Janet Yellen's term expires on February 3rd.
- Powell is a wealthy, mild-mannered Republican businessman who built his reputation through bipartisan consensus building.

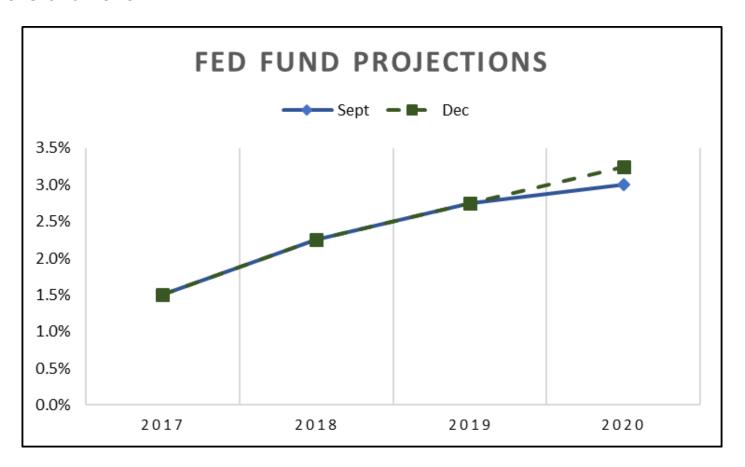


 Powell never cast any dissenting votes at his time at the Fed, and expectations are for him to maintain Janet Yellen's stance on monetary policies.



Fed Funds Rate

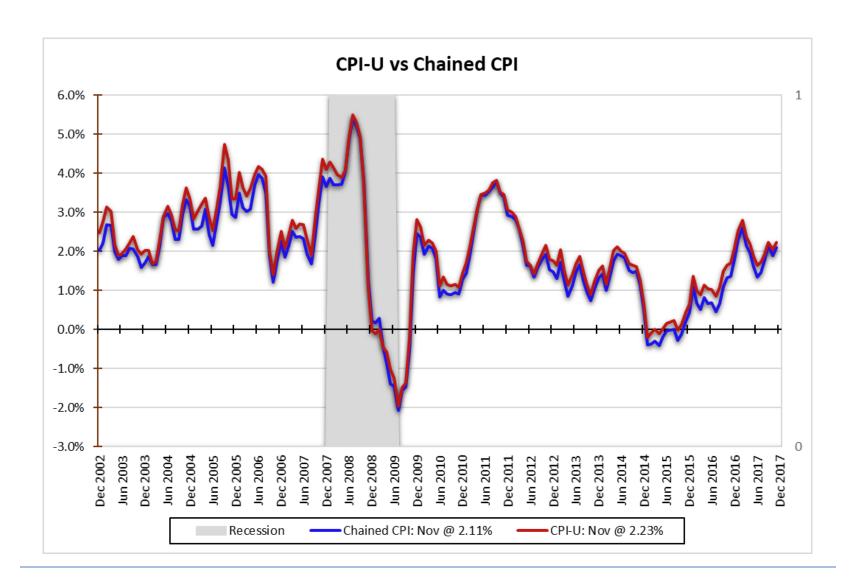
 Fed Fund Rate is at 1.5%. Expecting three rate increases for 2018, and two for 2019 and 2020.



Tax Bill Overview

- Lowers the corporate tax from 35% to 21%
- Doubles the standard deduction to \$12,000 for single and \$24,000 for joint filers
- Eliminates many itemized deductions
- Increases the child tax credit to \$2,000 and increases the cut-off from \$110,000 to \$400,000
- State and local tax deductions capped at \$10,000
- Pass through business tax Small business owners can take a 20% deduction on their pass through business income.
- Tax exempt advanced refunding bonds eliminated
- Changes the inflation rate measure from the CPI-U to the lower chained CPI.

CPI-U vs Chained CPI



Tax Brackets Under New Law

TAX BRACKETS FOR SINGLE FILERS

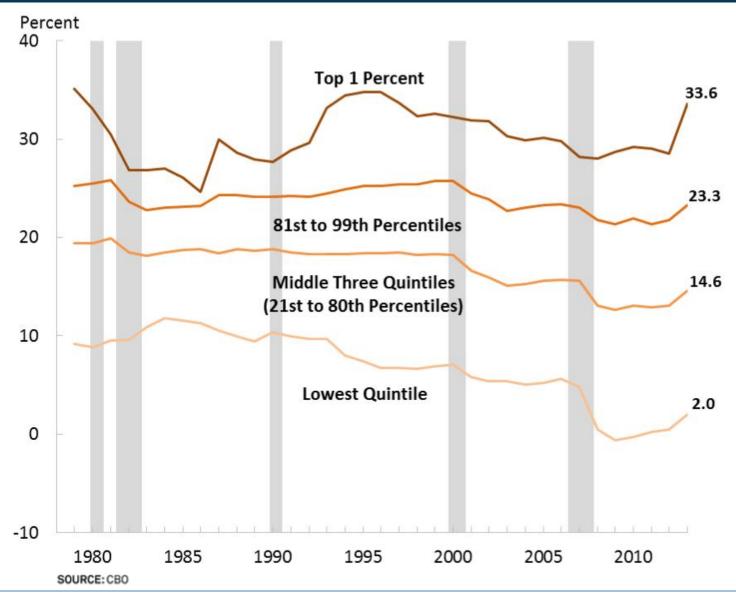
CURRENT LAW		FINAL PLAN	
10%	\$0 — \$9,325	10%	\$0 — \$9,525
15%	\$9,326 — \$37,950	12%	\$9,526 — \$38,700
25%	\$37,951 — \$91,900	22%	\$38,701 — \$82,500
28%	\$91,901 — \$191,650	24%	\$82,501 — \$157,500
33%	\$191,651 - \$416,700	32%	\$157,501 - \$200,000
35%	\$416,701 — \$418,400	35%	\$200,001 - \$500,000
39.6%	\$418,401 or more	37%	\$500,001 or more
Standard ded	uction: \$6,350	Standard deduction:	\$12,000
Personal exer	nption: \$4,050	Personal exemption:	Eliminated

Tax Brackets Under New Law

TAX BRACKETS FOR MARRIED TAXPAYERS FILING JOINTLY

CURRENT LAW		FINAL PLAN	
10%	\$0 — \$18,650	10%	\$0 — \$19,050
15%	\$18,651 — \$75,900	12%	\$19,051 — \$77,400
25%	\$75,901 — \$153,100	22%	\$77,401 — \$165,000
28%	\$153,101 — \$233,350	24%	\$165,001 - \$315,000
33%	\$233,351 — \$416,700	32%	\$315,001 - \$400,000
35%	\$416,701 — \$470,700	35%	\$400,001 - \$600,000
39.6%	\$470,701 or more	37.0%	\$600,000 or more
Standard dedu	ection: \$12,700	Standard deduction:	\$24,000
Personal exem	nption: \$8,100	Personal exemption:	Eliminated

Average Federal Tax Rates 1979 to 2013



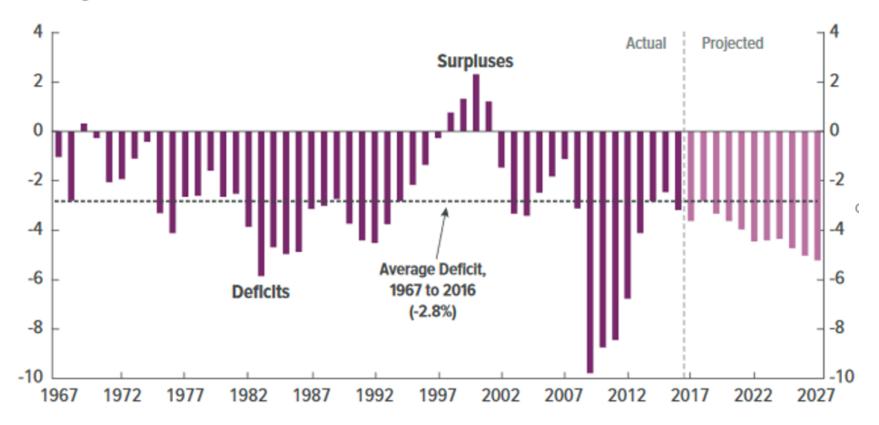
Possible Tax Bill Implications

- Families in North Carolina will save approximately \$1,300 to \$1,500 over the existing law
 - Increased spending
- Businesses save 14% on corporate taxes
 - Savings used to expand production, increase employee wages, or distribute to shareholders
- Pass-through business tax deduction of 20%
 - Reduces barriers to entry, increase proprietors income
- Repatriation of oversees funds at a one-time lower tax rate of 12%
 - Citigroup estimates there is \$2.5 Trillion locked away overseas
 - The repatriated funds can be used to reinvest in the business or for stock repurchases

Total Deficit and Surplus GDP by Year

Total Deficits and Surpluses

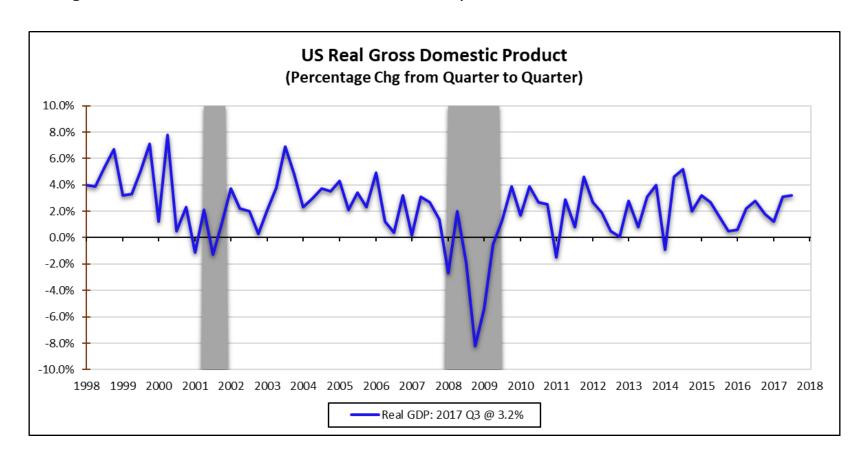
Percentage of Gross Domestic Product



Source: Congressional Budget Office.

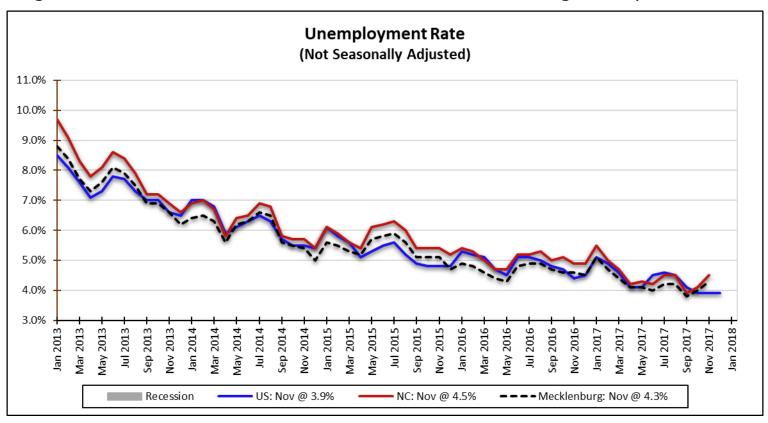
U.S. Gross Domestic Product

- 103rd month of Current Expansion
- 3rd longest in US history
- Longest was 120 months in 90's and second place was 106 months in the 60's



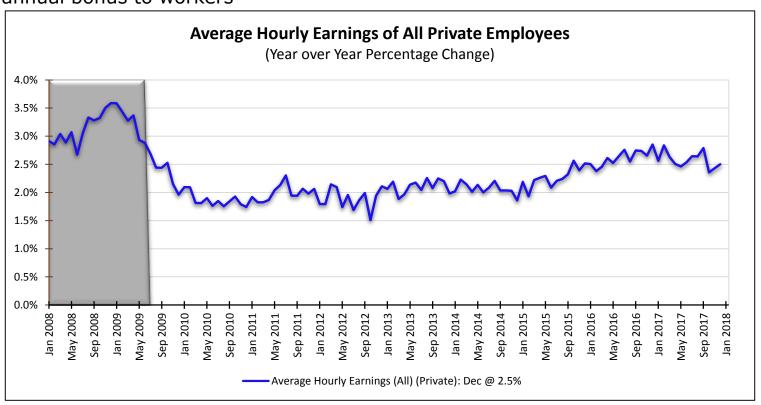
Unemployment Rate

- Unemployment continues to trend lower
- Expected to continue to decrease with tax bill roll out and reduced business regulations
- During October the US shifted lower than NC and Mecklenburg County



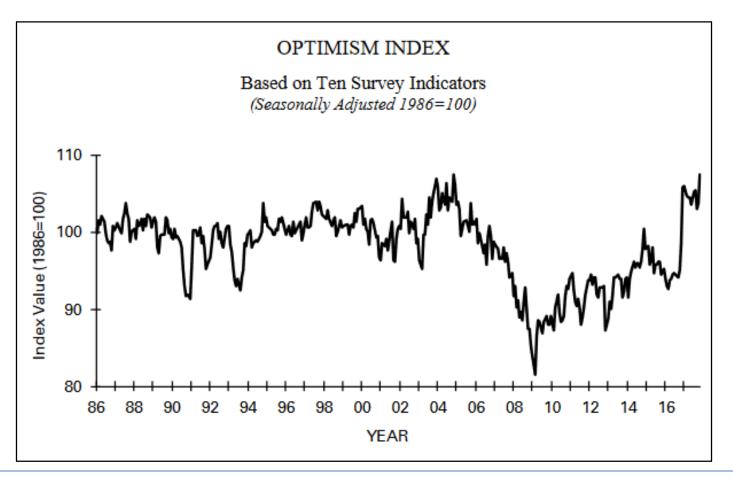
Average Hourly Earnings Growth

- Wage growth has been slow even as the economy is near full employment
- Many companies including Wal-Mart, Costco, Wells Fargo, announced wage increases for workers
- Other companies such as Jet Blue, Waste Management, and AT&T are giving an annual bonus to workers



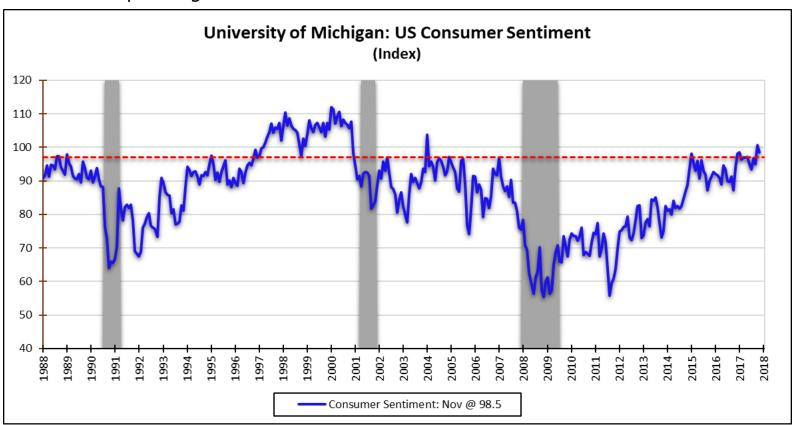
Small Business Optimism

- Sharply increased following the inauguration, and continues to trend higher
- According to NFIB, taxes was the number one issue facing small businesses followed by finding qualified workers.



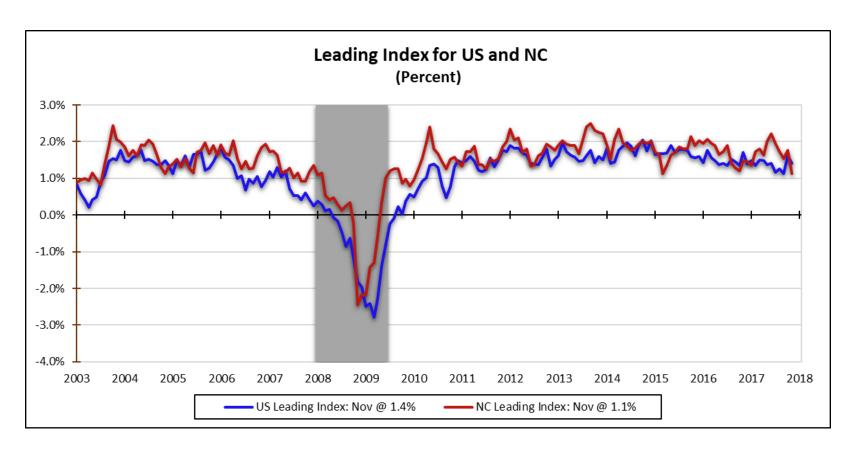
Consumer Sentiment

- Levels are at highs of the early 2000's expansion
- If the tax bill does increase wages and employment opportunities consumer sentiment the levels of consumer sentiment should push higher leading to greater consumer spending



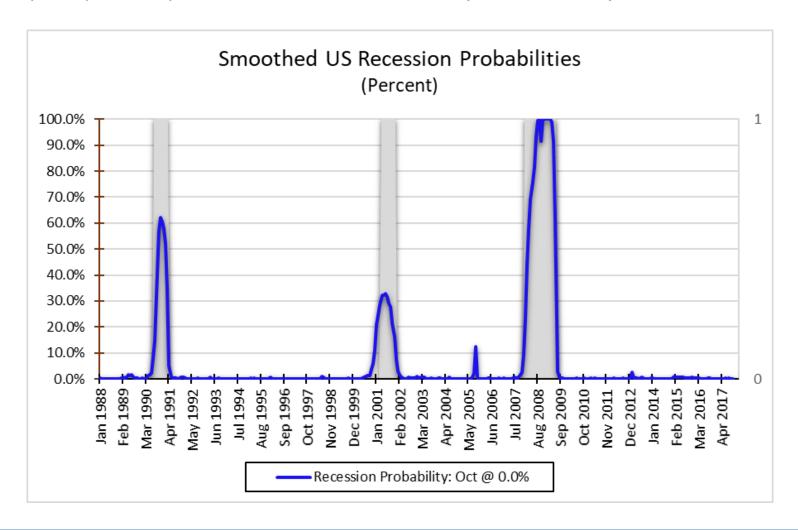
Leading Economic Indicators

- Optimistic outlook for the leading indicators
- Outlook has looked more positively following the inauguration and is likely to continue to look favorable into the future



Recession Probability

Very low possibility of recession in the near term (next 6 months)



Questions?



